

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Frost Township	County Clare
Audit Date March 31, 2004	Opinion Date August 12, 2004	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

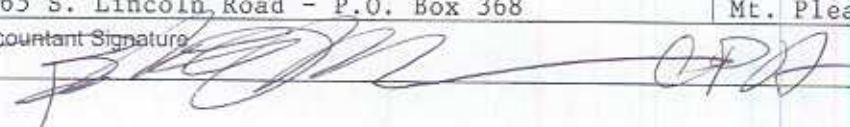
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☒ yes ☐ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	x		
Reports on individual federal financial assistance programs (program audits).			x
Single Audit Reports (ASLGU).			x

Certified Public Accountant (Firm Name) Page, Olson & Company, P.C., CPA's			
Street Address 2865 S. Lincoln Road - P.O. Box 368	City Mt. Pleasant	State MI	ZIP 48804-0368
Accountant Signature 			

FROST TOWNSHIP, CLARE COUNTY

STATE OF MICHIGAN

AUDITED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2004

FROST TOWNSHIP, CLARE COUNTY
YEAR ENDED MARCH 31, 2004

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FROST TOWNSHIP, CLARE COUNTY
TOWNSHIP OFFICIALS
YEAR ENDED MARCH 31, 2004

SUPERVISOR

Marion Coon

CLERK

Emerson Davis

TREASURER

Loraine O'Hare

TRUSTEES

Harold Becker

Rudolf Keszey



PAGE

OLSON &

COMPANY P.C.

INDEPENDENT AUDITORS' REPORT

August 12, 2004

Township Board
 Township of Frost
 Clare County, Michigan

We have audited the accompanying statements of assets and liabilities arising from cash transactions of the individual funds and account groups of the Township of Frost, as of March 31, 2004, and the related statements of revenue collected, expenditures paid, and changes in cash basis fund balance for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Township of Frost's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Township of Frost has a population of less than 4,000 people and is therefore required by Act 146, Public Acts of 1996 of the State of Michigan, to have an independent audit only biennially. The preceding year has thus not been audited; however, we have performed various tests of the opening balances.

As described in the Summary of Significant Accounting Policies, Note 1-B, the Township prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

The Township has not prepared combined financial statements that show the assets and liabilities arising from cash transactions of the Township of Frost taken as a whole as of March 31, 2004, and the related statement of revenue collected, expenditures paid, and changes in cash basis fund balance for the year then ended, as required by generally accepted accounting principles. Thus, in our opinion, the financial statements listed in the Table of Contents do not present fairly the financial position of the Township of Frost as of March 31, 2004, or the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

Township Board
Township of Frost
Clare County, Michigan

In our opinion, however, the financial statements listed in the Table of Contents do present fairly the assets, liabilities, and cash basis fund balances of the individual funds and account groups of the Township of Frost as of March 31, 2004, arising from cash transactions, and its revenue collected, expenditures paid, and changes in cash basis fund balances for the year then ended, on the basis of accounting described in Note 1-B.

Our audit was performed for the purpose of forming an opinion on the financial statement exhibits of the Township of Frost. Various supplemental financial data identified as Schedules in the Table of Contents and included in the report is not considered necessary for a fair presentation of financial position and results of operations but is presented primarily for supplemental analysis purposes. This additional information has been subjected to the audit procedures applied in the audit of the financial statement exhibits and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement exhibits taken as a whole.

Our report of comments and recommendations is included herein and forms a part of this report.

Page, Olson & Company

FROST TOWNSHIP, CLARE COUNTY
GENERAL FUND
STATEMENT OF ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
MARCH 31, 2004

Exhibit A-1

ASSETS

Cash in Checking	\$ 98,113
Cash in Savings	52,437
Certificates of Deposit	30,000
Due from Current Tax Fund	<u>5</u>

TOTAL ASSETS

\$ 180,555

LIABILITIES AND CASH BASIS FUND BALANCE

CASH BASIS FUND BALANCE

Unreserved - Undesignated

\$ 180,555

The accompanying notes are an integral part of the financial statements.

FROST TOWNSHIP, CLARE COUNTY
GENERAL FUND
STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID,
AND CHANGES IN CASH BASIS FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2004

Exhibit A-2

	Budget	Actual	Over (Under) Budget
<u>REVENUE COLLECTED</u>			
<u>Property Taxes</u>			
Current Property Taxes - 2003 Levy	\$ 20,000	\$ 22,428	\$ (2,428)
Delinquent Property Taxes	4,000	-	4,000
Special Assessment - Security Lights	1,200	811	389
Swamp Land Taxes	6,800	7,021	(221)
Penalties and Interest on Taxes	500	1,189	(689)
Total Property Taxes	32,500	31,449	1,051
<u>Intergovernmental Revenue</u>			
State Revenue Sharing	79,000	78,783	217
State Summer Tax Reimbursement	4,500	4,883	
Liquor License Fees	1,000	1,377	(377)
Total Intergovernmental Revenue	84,500	85,043	(160)
<u>Licenses and Permits</u>			
Non-Business Licenses and Permits	-	661	(661)
<u>Charges for Services and Sales</u>			
Charges for Dumpster Use	8,000	12,642	(4,642)
Cemetery Lot Sales	-	224	(224)
Property Tax Administration Fees	8,000	9,318	(1,318)
Services Fees	-	319	(319)
Total Charges for Services and Sales	16,000	22,503	(6,503)
<u>Other Revenue</u>	-	243	(243)
<u>Interest and Dividend Earnings</u>	1,000	926	74
<u>Gypsy Moth</u>	-	-	-
<u>Rents and Royalties</u>	-	25	(25)
<u>Refunds and Reimbursements</u>	-	363	(363)
TOTAL REVENUE	134,000	141,213	(6,830)
<u>EXPENDITURES PAID</u>			
<u>General Government</u>			
Township Board	3,195	2,968	227
Supervisor	9,110	8,645	465
Elections	5,650	63	5,587
Assessor	11,700	11,241	459
Attorney	2,000	103	1,897
Clerk	11,035	10,669	366

The accompanying notes are an integral part of the financial statements.

FROST TOWNSHIP, CLARE COUNTY
GENERAL FUND
STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID,
AND CHANGES IN CASH BASIS FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2004

Exhibit A-2

	Budget	Actual	Over (Under) Budget
<u>EXPENDITURES PAID (CONTINUED)</u>			
<u>General Government (Continued)</u>			
Board of Review	\$ 1,440	\$ 614	\$ 826
Treasurer	19,057	17,610	1,447
Township Hall and Grounds	10,200	3,389	6,811
Cemetery	1,600	885	715
Total General Government	74,987	56,187	18,800
<u>Public Safety</u>			
Police	24,362	23,089	1,273
Fire Protection	15,678	15,678	-
Total Public Safety	40,040	38,767	1,273
<u>Public Works</u>			
Street Lighting and Road Brining	2,000	16,641	(14,641)
<u>Sanitation</u>			
Transfer Station	12,050	12,046	4
<u>Recreation and Culture</u>			
Library	4,636	4,636	-
<u>Planning</u>			
Planning Commission	700	337	363
Zoning Board/Commission	700	158	542
Zoning Administrator	3,894	3,618	276
Total Planning	5,294	4,113	1,181
<u>Other Functions</u>			
Insurance not Charged to Specific Activities	4,200	4,130	70
Fringe Benefits	10,300	9,308	992
Miscellaneous	2,900	1,078	1,822
Total Other Functions	17,400	14,516	2,884
TOTAL EXPENDITURES PAID	156,407	146,906	9,501
EXCESS OF REVENUES COLLECTED OVER (UNDER) EXPENDITURES PAID	(22,407)	(5,693)	(16,714)
CASH BASIS FUND BALANCE - APRIL 1, 2003	186,248	186,248	-
CASH BASIS FUND BALANCE - MARCH 31, 2004	\$ 163,841	\$ 180,555	\$ (16,714)

The accompanying notes are an integral part of the financial statements.

FROST TOWNSHIP, CLARE COUNTY
ROAD FUND - SPECIAL REVENUE FUND
STATEMENT OF ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
MARCH 31, 2004

Exhibit B-1

	<u>Actual</u>
<u>ASSETS</u>	
Checking	<u>\$ 120,456</u>
 <u>LIABILITIES AND CASH BASIS FUND BALANCE</u>	
CASH BASIS FUND BALANCE	<u>\$ 120,456</u>

ROAD FUND - SPECIAL REVENUE FUND
STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID
AND CHANGES IN CASH BASIS FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2004

Exhibit B-2

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<u>REVENUE COLLECTED</u>			
Property Taxes	\$ 55,000	53,860	1,140
Interest	<u>2,000</u>	<u>947</u>	<u>1,053</u>
TOTAL REVENUE COLLECTED	57,000	54,807	2,193
<u>EXPENDITURES PAID</u>	<u>86,000</u>	<u>87,425</u>	<u>(1,425)</u>
EXCESS OF REVENUES COLLECTED OVER (UNDER) EXPENDITURES PAID	(29,000)	(32,618)	3,618
CASH BASIS FUND BALANCE - APRIL 1 2003	<u>153,074</u>	<u>153,074</u>	<u>-</u>
CASH BASIS FUND BALANCE - MARCH 31, 200	<u>\$ 124,074</u>	<u>\$ 120,456</u>	<u>\$ 3,618</u>

The accompanying notes are an integral part of the financial statements

FROST TOWNSHIP, CLARE COUNTY
TRUST AND AGENCY FUND
STATEMENT OF ASSETS AND LIABILITIES ARISING
FROM CASH TRANSACTIONS
MARCH 31, 2004

Exhibit C

ASSETS

Cash in Checking	
Blue Gill Lake Association	\$ 5,900
Long Lake Improvement	<u>16,348</u>
 TOTAL ASSETS	 \$ <u>22,248</u>

LIABILITIES

Due to Blue Gill Lake Association	\$ 5,900
Due to Long Lake Improvement	<u>16,348</u>
 TOTAL LIABILITIES	 \$ <u>22,248</u>

CURRENT PROPERTY TAX COLLECTIONS FUND
STATEMENT OF ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
MARCH 31, 2004

Exhibit D

ASSETS

Cash in Checking	\$ <u>5</u>
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LIABILITIES

Due to General Fund	\$ <u>5</u>
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The accompanying notes are an integral part of the financial statements.

FROST TOWNSHIP, CLARE COUNTY
ALL AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED MARCH 31, 2004

Exhibit E

	Balance 04/01/03	Additions	Deductions	Balance 03/31/04
<u>ASSETS</u>				
Cash in Checking	\$ 24,082	\$ 962,394	\$ 964,223	\$ 22,253
<u>LIABILITIES</u>				
Due to Blue Gill Lake Association	\$ 7,980	\$ 2,319	\$ 4,400	\$ 5,900
Due to Long Lake Improvement	16,097	14,168	13,916	16,348
Undistributed Receipts	5	945,907	945,907	5
Total Liabilities	\$ 24,082	\$ 962,394	\$ 964,223	\$ 22,253

GENERAL FIXED ASSETS ACCOUNT GROUP
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
YEAR ENDED MARCH 31, 2004

Exhibit F

	Balance 04/01/03	Additions	Retirements	Balance 03/31/04
<u>FIXED ASSETS</u>				
Buildings - Township Hall and Garage	\$ 20,471	-	-	\$ 20,471
Land	200	-	-	200
Equipment				-
Supervisor	40	-	-	40
Treasurer	2,059	-	-	2,059
Clerk	1,545	576	-	2,121
Constable	3,011	-	918	2,093
Township Hall	4,652	419	265	4,806
Zoning Administrator	40	-	-	40
Township Hall - Fence	1,722	-	-	1,722
Sanitary Landfill - Trash Compactor	10,000	-	-	10,000
Cemetery - Fence	645	-	-	645
Police				-
Radio Equipment	4,971	-	-	4,971
Video Equipment	1,723	-	-	1,723
Township Hall Improvements	9,785	-	-	9,785
TOTAL GENERAL FIXED ASSETS	\$ 60,864	\$ 995	\$ 1,183	\$ 60,676
<u>INVESTMENT IN GENERAL FIXED ASSETS</u>				
	\$ 60,864	\$ 995	\$ 1,183	\$ 60,676

The accompanying notes are an integral part of the financial statements.

FROST TOWNSHIP, CLARE COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Frost Township is a regular law Michigan Township with a population of less than 4,000 people. The Township is governed by a five member board of officials elected by the Township voters.

A. FINANCIAL REPORTING ENTITY

In evaluating how to define the government, for the financial reporting purposes, management has considered all potential agencies and organizations. The decision to include a potential agency or organization in the reporting entity was made by applying the criteria set forth by the Governmental Accounting Standards Board (GASB) Statement 14. Generally component units are legally separate organizations for which the elected officials of the Township are financially accountable. Financial accountability is determined by the Township's ability to impose its will on the component unit, as well as the unit's significance regarding operational and financial relationship with the Township. The Township has no component units.

B. BASIS OF ACCOUNTING

The accounting books and records of the Township of Frost are maintained on the cash basis of accounting during the year and the financial statements have been prepared directly from these books and records. The aforementioned statements do not, therefore, give effect to accounts receivable, accounts payable and accrued items.

C. FUND ACCOUNTING

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue, and expenditures or expenses, as appropriate. The various funds of the Township are as follows:

General Fund

The general fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund

The Special Revenue Fund is a voted road millage fund for the Township. The money in this fund is designated for use on roads only. The money is collected once a year with the property taxes.

Trust and Agency Fund - Trust and Agency Fund

Frost Township is functioning as a tax collection and paying agent for Long Lake Association and Blue Gill Lake Association. Tax assessments are periodically levied against Long Lake and Blue Gill Lake property owners along with Frost Township's tax roll. These assessments are then used to pay for Long Lake and Blue Gill Lake Association projects.

FROST TOWNSHIP, CLARE COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. FUND ACCOUNTING (CONTINUED)

Trust and Agency Fund Type - Current Property Tax Collections Fund

The Current Property Tax Collections Fund is used to account for assets held by the Township as an agent for individuals, other governments, and/or other funds.

General Fixed Assets Account Group

This Account Group is established to account for all fixed assets of the Township and is not a fund. It is concerned only with the measurement of financial position and is not involved with measurement of results of operations.

D. PROPERTY TAXES

Receipts of current and delinquent property taxes are recorded as revenue in the year in which received. Clare County, the county in which the Township of Frost is located, has a delinquent tax revolving fund whereby the County pays the Township for its delinquent real property taxes. It then becomes the County's responsibility to collect these delinquent taxes from the various taxpayers. The delinquent real portion of the 2003 tax levy and related property tax administration fees due from the County were not received by the Township prior to March 31, 2004 and therefore, are not included in current year revenue in Exhibit A-2.

E. BUDGETARY COMPARISONS

A budget is adopted by the Township of Frost for the General and Special Revenue Funds and the financial statements present comparisons of actual revenue collected and expenditures paid to this budget. The budget amounts reported reflect all amendments adopted. Township appropriations lapse at year end.

F. INVESTMENTS

Township investments consist of investments in money market savings and certificates of deposit.

G. GENERAL FIXED ASSETS

Purchases of fixed assets are recorded as expenditures in the General Fund at the time of acquisition. These assets are capitalized at cost in the General Fixed Assets Account Group and no depreciation is taken on these assets. The original Statement of General Fixed Assets was compiled by Township Officials and was not subjected to audit procedures. Additions and retirements since that time have been subjected to audit procedures.

FROST TOWNSHIP, CLARE COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004

NOTE 2 - CASH AND INVESTMENTS

Deposits are carried at cost. Deposits are in one financial institution in the name of the Township Treasurer. Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in accounts of Federally insured banks, credit unions, and savings and loan associations. Investments can also be made in bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States, which are guaranteed as to principal and interest by the United States, including securities issued by the Government National Mortgage Association; United States banks; commercial paper rated within the three highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase and which involve no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in the states other than Michigan. The Townships deposits are in accordance with statutory authority.

Frost Township's cash and investments during the year consisted of cash in checking, cash in "money market rate" savings accounts and certificates of deposit.

Carrying Amount

At year end, the carrying value of cash, savings, and investments held by Frost Township was \$323,259 as follows:

Deposits with Financial Institutions:

Cash in Checking	\$ 240,822
Cash in Savings	52,437
Certificates of Deposit	<u>30,000</u>
Total Cash and Investments	<u>\$ 323,259</u>

Deposits with Financial Institutions

On March 31, 2004 the carrying amount of deposits with Financial Institutions was \$323,259. Actual deposits with Financial Institutions for interest bearing accounts were \$323,441 of which \$100,000 was insured by the Federal Deposit Insurance Corporation (FDIC) through National City Bank and the remaining \$223,441 was uninsured. Actual deposits with Financial Institutions for non-interest bearing accounts were \$41 of which \$41 was insured by the Federal Deposit Insurance Corporation (FDIC) through National City Bank.

Due to varying cash flows, the Township's deposits with financial institutions were higher during the year than at year end. Therefore, larger amounts of deposits were uninsured and uncollateralized at points during the year.

FROST TOWNSHIP, CLARE COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004

NOTE 3 - PENSION PLAN

Frost Township participates in a defined contribution pension plan, administered by Manufacturers Life Insurance Company. The plan is available for all Township Officials. Contribution to the pension investment plan are based on a percentage of compensation. Employees can also make voluntary contributions to the plan. For the year ended March 31, 2004, the Township made its required employer contribution of \$7,920 based on 2003-2004 compensation. The value of the plan's assets and vested benefits as of March 31, 2004 is \$79,255.

NOTE 4 - INTERFUNDS

Interfund receivable and payable balances at March 31, 2004 are as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
<u>GENERAL FUND</u>		
Current Property Tax Collections	\$ 5	-
<u>CURRENT PROPERTY TAX COLLECTIONS FUND</u>		
General Fund	-	\$ 5
	<u>\$ 5</u>	<u>\$ 5</u>

NOTE 5 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN INDIVIDUAL GOVERNMENTAL FUNDS FOR WHICH BUDGETS ARE ADOPTED

Michigan Public Act 621 of 1978 provides that a local unit shall not incur expenditures in excess of the amounts appropriated. The Township's legal level of adoption for expenditures is the activity level for the General Fund and the fund level for the Road Special Revenue Fund. During the year ended March 31, 2004, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Budget Variance</u>
<u>GENERAL FUND</u>			
Public Works	\$ 2,000	\$ 16,641	\$ 14,641
<u>ROAD SPECIAL REVENUE FUND</u>	86,000	87,425	1,425

FROST TOWNSHIP, CLARE COUNTY
SCHEDULE OF GENERAL FUND EXPENDITURES
BY OBJECT ACCOUNT - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2004

Schedule 1

	Budget	Actual	Over (Under) Budget
<u>GENERAL GOVERNMENT</u>			
Township Board			
Fees and Per Diem	\$ 2,300	\$ 2,326	\$ (26)
Education and Training	225	-	225
Dues and Subscriptions	670	642	28
Total Township Board	3,195	2,968	227
Supervisor			
Salaries and Wages	7,623	7,623	-
Salaries and Wages - Deputy	462	462	-
Office Supplies	350	148	202
Postage	100	37	63
Transportation	375	375	-
Education and Training	200	-	200
Total Supervisor	9,110	8,645	465
Elections			
Salaries and Wages	700	-	700
Supplies	4,500	63	4,437
Education and Training	150	-	150
Printing and Publishing	300	-	300
Total Elections	5,650	63	5,587
Assessor			
Office Supplies	900	738	162
Postage	800	740	60
Contractual Services	9,500	9,500	-
Tax Notices	500	263	237
Total Assessor	11,700	11,241	459
Attorney			
Legal Fees	2000	103	1,897
Clerk			
Salaries and Wages	7623	7,623	-
Salaries and Wages - Deputy	462	462	-
Office Supplies	1050	1,081	(31)
Postage	300	139	161
Education and Training	200	-	200
Transportation	500	500	-
Printing and Publishing	150	151	(1)
Communications	750	713	37
Total Clerk	11,035	10,669	366

FROST TOWNSHIP, CLARE COUNTY
SCHEDULE OF GENERAL FUND EXPENDITURES
BY OBJECT ACCOUNT - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2004

Schedule 1

	Budget	Actual	Over (Under) Budget
<u>GENERAL GOVERNMENT (CONTINUED)</u>			
Board of Review			
Fees and Per Diem	\$ 1,000	\$ 592	\$ 408
Printing and Publishing	40	22	18
Supplies	200	-	200
Education and Training	200	-	200
Total Board and Review	1,440	614	826
Treasurer			
Salaries and Wages	11,220	11,220	-
Salaries and Wages - Deputy	462	462	-
Office Supplies	500	380	120
Postage	2,500	2,183	317
Printing and Publishing	-	635	(635)
Education and Training	200	-	200
Communications	400	330	70
Transportation	375	375	-
Tax Notice Preparation	1,200	-	1,200
Maintenance Cost	2,200	2,025	175
Miscellaneous	-	-	-
Total Treasurer	19,057	17,610	1,447
Township Hall and Grounds			
Improvements	5,000	-	5,000
Supplies	300	87	213
Fuel, Oil and Gas	1,600	835	765
Contractual Services	1,600	1,844	(244)
Communications	300	262	38
Repairs and Maintenance	700	-	700
Miscellaneous	200	-	200
Utilities	500	361	139
Total Township Hall and Grounds	10,200	3,389	6,811
Cemetery			
Operating Supplies	100	296	(196)
Contractual Services	1,000	589	411
Repairs and Maintenance	500	-	500
Total Cemetery	1,600	885	715
TOTAL GENERAL GOVERNMENT	74,987	56,187	18,800

FROST TOWNSHIP, CLARE COUNTY
SCHEDULE OF GENERAL FUND EXPENDITURES
BY OBJECT ACCOUNT - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2004

Schedule 1

	Budget	Actual	Over (Under) Budget
<u>PUBLIC SAFETY</u>			
Police			
Salaries and Wages	\$ 19,362	\$ 19,362	\$ -
Office Supplies	850	1,178	(328)
Communications	1,300	1,156	144
Transportation	750	750	-
Education and Training	100	-	100
Equipment	2,000	643	1,357
Total Police	24,362	23,089	1,273
Fire Protection			
Contractual Services	15,678	15,678	-
TOTAL PUBLIC SAFETY	40,040	38,767	1,273
<u>PUBLIC WORKS</u>			
Street Lighting	2,000	1,691	309
Road Brining	-	14,950	(14,950)
TOTAL PUBLIC WORKS	2,000	16,641	(14,641)
<u>SANITATION</u>			
Trash Compactor			
Salaries and Wages	3,900	3,641	259
Contractual Services	8,000	8,405	(405)
Printing and Publishing	50	-	50
Supplies	100	-	100
TOTAL SANITATION	12,050	12,046	4
<u>RECREATION AND CULTURE</u>			
Library			
Contractual Services	4,636	4,636	-
<u>PLANNING</u>			
Planning Commission			
Fees and Per Diem	600	287	313
Supplies	50	-	50
Postage	-	-	-
Printing and Publishing	50	50	-
Total Planning Commission	700	337	363

FROST TOWNSHIP, CLARE COUNTY
SCHEDULE OF GENERAL FUND EXPENDITURES
BY OBJECT ACCOUNT - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2004

Schedule 1

	Budget	Actual	Over (Under) Budget
<u>PLANNING (CONTINUED)</u>			
Zoning Board/Commission			
Fees and Per Diem	\$ 400	\$ 158	\$ 242
Postage	50	-	50
Printing and Publishing	100	-	100
Education and Training	150	-	150
Total Zoning Board/Commission	700	158	542
Zoning Administrator			
Salaries and Wages	3,119	3,119	-
Transportation	375	375	-
Education and Training	100	-	100
Supplies	200	124	76
Postage	50	-	50
Publishing	50	-	50
Total Zoning Administrator	3,894	3,618	276
TOTAL PLANNING	5,294	4,113	1,181
<u>OTHER FUNCTIONS</u>			
Insurance Not Charged to Specific Activities			
Liability Insurance	4,200	4,130	70
Fringe Benefits			
Social Security Tax	800	306	494
Medicare	500	320	180
Pension Plan - Township Share	9,000	8,682	318
Total Fringe Benefits	10,300	9,308	992
Miscellaneous			
Miscellaneous	2,700	965	1,735
Tax Roll Errors	200	113	87
Total Miscellaneous	2,900	1,078	1,822
TOTAL OTHER FUNCTIONS	17,400	14,516	2,884
TOTAL EXPENDITURES PAID	\$ 156,407	\$ 146,906	\$ 9,501

FROST TOWNSHIP, CLARE COUNTY
2003 CURRENT PROPERTY TAXES-
SCHEDULE OF VALUATION, MILLAGE,
LEVIES, AND COLLECTIONS
Year Ended March 31, 2004

Schedule 2

<u>Unit of Government</u>	<u>Total Taxable Value</u>	<u>Millage Rate</u>	<u>Taxes Levied</u>	<u>Taxes Collected</u>
Clare County	\$ 34,339,685	5.3250	\$ 182,053	\$ 156,237
Clare County Transportation Commission	34,339,685	0.2636	9,003	7,707
Clare Gladwin Senior Services	34,339,685	0.4629	15,817	13,551
Harrison Community Schools				
Homestead	34,339,685	5.0000	170,946	155,456
Non-Homestead	19,793,775	17.9206	352,029	305,092
Debt	34,339,685	3.4000	116,238	99,522
Clare Gladwin RESD	34,339,685	2.1318	72,877	62,381
Mid Michigan Community College	34,339,685	1.2792	43,727	37,429
Frost Township	34,339,685	0.7640	26,112	22,371
Voted Road	34,339,685	1.8374	62,811	53,723

Total Taxes Levied

\$ 1,051,613 \$ 913,469

Other Items Spread

Special Assessment - Long Lake Improvements	\$ 16,360	\$ 14,128
Special Assessment - Bluegill Lake	2,610	2,297
Special Assessment - Street Security Lights	320	308
Special Assessment - Gypsy Moth	790	503
Property Tax Administration Fee	10,706	9,318
	<u>\$ 30,786</u>	<u>\$ 26,554</u>

In addition to the above the following Township items were collected:

Late Penalty Fees	<u>\$ 1,189</u>	<u>\$ 1,189</u>
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Industrial Facility Tax at 50%

Clare County	\$ 149,631	5.3250	\$ 398	\$ 398
Clare County Transportation Commission	149,631	0.2636	20	20
Clare County Senior Services	149,631	0.4629	35	35
Harrison Community Schools				
Homestead	149,631	5.0000	748	748
Non-Homestead	149,631	17.9206	1,341	1,341
Debt	149,631	3.4000	254	254
Clare Gladwin RESD	149,631	2.1318	159	159
Mid Michigan Community College	149,631	1.2792	96	96
Frost Township	149,631	0.7640	57	57
Voted Road	149,631	1.8374	137	137

Total IFT Taxes Levied

\$ 3,245 \$ 3,245



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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

August 12, 2004

Township Board
Frost Township
Clare County, Michigan

We have recently completed our audit of the financial statements of Frost Township for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of Frost Township in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the representations of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than with those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, and audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or irregularities. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

Auditing standards call for us to inform you regarding the initial selection of , and changes in, significant accounting policies or their application. In addition, we are expected to inform you about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is lack of authoritative guidance or consensus.

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

It was noted during the course of the audit that, due to the nature of the cash collections at the transfer station, the township may be at risk to misappropriation. The township board should be aware that this risk exists and take any steps, if any, they determine necessary to address this risk.

COMMENTS AND RECOMMENDATIONS REGARDING INTERNAL CONTROLS COMPLIANCE/EFFICIENCY

In planning and performing our audit of the financial statements of Frost Township, for the year ended March 31, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

COMMENTS AND RECOMMENDATIONS REGARDING INTERNAL CONTROLS
COMPLIANCE/EFFICIENCY (CONTINUED)

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that we believe to be material weaknesses.

These conditions were considered in determining the nature, timing, and extent of the audit tests applied on our audit of the March 31, 2004, financial statements, and this report does not affect our report on those financial statements dated August 12, 2004. We have not considered internal control since the date of our report.

REPORTABLE CONDITIONS (MATERIAL WEAKNESSES)

Appropriations in Budgetary Funds

P.A. 2 of 1968, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. We noted during our audit that the Township incurred expenditures in excess of the amount appropriated as noted in Note # 5 in the Notes to the Financial Statements.

The budget should be amended during the year to reflect expenditures expected to be made in excess of the original budget amounts. These amendments must be approved by the Township Board and documented in the Board's meeting minutes.

Copies of the originally approved budget must be attached to the minutes and copies of each revised budget should be retained in order to properly trace the amendments.

Additionally we provided the Clerk a copy of the State's Budget Procedures Manual to assist the Township in improving the budget process and compliance with the Budgeting Act.

Road Fund (Repeated Comment)

You will note that we moved transactions related to the road millage from the General Fund to a separate Road - Special Revenue Fund type. Transactions related to the road millage should be kept track of in a separate fund. The Township will need to modify its accounting records accordingly.

Property Tax Receipts

During Property Tax Receipt testing it was noted that at least one deposit was made several days after the taxes were collected. Deposits should be made at least weekly and more frequently when the amounts collected are material in amount.

REPORTABLE CONDITIONS (MATERIAL WEAKNESSES) (CONTINUED)

Disbursement Approval

It was noted during expenditure testing that a list of disbursements; including check number, vendor name and amount, is provided to the board for approval. However this list is not filed with the minutes nor is it retained in hard copy form. It is recommended that the list be retained and attached to the minutes each month as an additional control feature and so such authentication could be performed if so desired.

Investment Policy

An official investment policy has not been adopted by the Township. It is recommended that the Township establish an investment policy that describes the nature and objectives of it's investment activities.

SUMMARY

We would like to thank the Township personnel and Officials for the cooperation we received from them throughout the course of the audit. We welcome any questions you may have regarding the foregoing comments, and we would be happy to discuss any questions that you might have at your convenience.

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